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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
April 1990

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INVENTORY LIQUIDATIONS HIDE STRENGTH OF WINTER ECONOMY

Our current estimates of business inventories for the first quarter show a nominal increase of only 0.5%, down from a gain of 5.7% during the fourth quarter. Moreover, even with a rebound in production to restore depleted inventories during the second quarter, inventories should show little accumulation until the summer months. This rate of business inventory accumulation was nearly a full percentage point less than anticipated a month ago.

Of course, prices rose sharply during the winter. Therefore, inventories actually declined after adjustment for inflation. However, this weakness in inventory investment was offset by substantial gains in final demand. The trade deficit fell by an annualized 53%, although sales of planes accounted for much of the export improvement while the inventory liquidation clearly was a restraining factor upon imports as well. Also, consumer spending was stronger than anticipated, with auto sales rebounding more than expected, while higher prices had a smaller restraining influence upon purchases of consumer nondurables than anticipated. Purchases of services also were stronger than expected, as air travel and lodging performed better than projected earlier this year.

Construction expenditures also were more robust than expected. Unusually mild weather allowed substantial increases in expenditures for all construction sectors. More appropriate weather should reduce the surge in construction during the spring, where the contribution of structures to GNP could be more than a $7 billion reduction as compared to a $7 billion addition during the winter. Even with the mild winter, housing starts increased less than expected and housing permits showed smaller increases than were generated by the handicap access requirements that caused permits to surge prior to the January 13 compliance date.

Despite stronger gains in trade, construction, and consumption than expected, the greater liquidation of inventories led to GNP gains that were precisely what was expected a month ago. Even the deflators were appropriately projected. Of course, if the PROJECTIONS contained estimates of final sales, our estimates would have been extremely deficient. Final sales actually advanced by a strong 4% for the quarter.

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Because inventories no longer are adequate to meet current activity, production should improve in order to provide for those stocks of inventories. Thus, industrial production is expected to advance a strong 5% during the spring and continue to grow sharply in the summer. Some slowing of activity then is expected by next fall.

Even with inventory restocking, however, activity should slow from winter rates during the spring. Consumers have exhausted some of their purchasing power as a result of the strong gains in prices. Although disposable income rose a surprisingly large 9.6%, a substantial portion of this gain was in farm incomes. Wages and salaries actually increased at a slightly slower pace than during the fall. Thus, the estimate of only a 1% drop in savings masks greater purchasing power constraints by most households. When prices for consumer nondurable goods slow sharply in the spring, consumers will use the increased purchasing power to replenish savings.

Also, now that Boeing is producing at maximum levels, no further contributions to economic activity should be generated by plane production. As a result, shipments of capital goods should slow sharply from the winter quarter. However, strong gains in durable goods orders excluding aircraft suggest that strong growth in capital spending should be expected, even if not at the rate of the first quarter, for the remainder of the year.

Although the first quarter inflation rate was anticipated in our previous PROJECTIONS, several components of that inflation are troubling. Most of the weather related price changes are in nondurables, but inflation intensified for durables and services as well. At the same time, the unusually modest increases in construction costs belies substantial price increases for construction materials in the past few months. Lumber prices have increased especially strongly as a result of reduced west coast production to protect the habitat of the spotted owl. Some of the moderation in commodity prices already has surfaced at the producers' level, although prices remained surprisingly strong for consumer goods. Thus, inflation should moderate in the next few months. However, inflation excluding the volatile food and energy sectors appears to be drifting upward.

Our estimates of corporate profits adjusted for tax and price distortions was too small for the first quarter. Because inventory prices did not surge as much as expected, adjusted profits rose more than expected. However, this strong gain in profits was offset by rising interest rates and a dollar that fell against European currencies by more than it rose against Japan. As a result, equity values weakened, although the profit rebound prevented the market from declining as much as expected during April. Because the economy is stronger than expected excluding the inventories, higher interest rates are expected than projected only a month ago. Some weakness in rates still is expected following the Treasury's quarterly funding, but rates will average substantially higher than originally anticipated. Also, wages should intensify even as sales grow more slowly. While profits should increase slightly during the spring, the gains will not be sufficient to offset weakness in the bond market. Any strength expected for the dollar should be too small to offset these interest rate effects. Therefore, the equity markets are not expected to show much recovery potential for the remainder of this year. (A modest summer rally still is possible, which could raise stock prices to their January highs, but this would constitute a good opportunity to sell.)

With economic activity growing faster than expected, inventory shortfalls which suggest that no recession is possible until those shortfalls are removed, and with inflation showing greater resilience than expected, a movement toward more substantial Federal Reserve restraint normally would be expected. However, the yen's weakness and the resulting weakness in the financial markets in Japan has discouraged our bank from adding to their problems through higher rates. Also, the current upward sloping yield curve aids the thrifts, who have been suffering from negative interest rate spread on their portfolios. Finally, the elections this November will influence the reapportionment process for the next decade. The White House undoubtedly wants as many Republican statehouses as possible. Rising short-term interest rates may be more damaging than upward drift in long-term rates as the Fed delays response to the current inflation risk. Thus, short-term rates are expected to remain low until election time, while long-term rates should continue to drift upward because of the absence of any vigorous anti-inflation activity.

Monthly Statistical Highlights

	APRIL 1990	MAY 1990	JUNE 1990
Payroll Employment	+276,000	+136,000	+161,000
Index of Hours Worked	+0.2%	+0.1%	+0.2%
Household Employment	+142,000	+97,000	+150,000
Civilian Unemployment Rate	5.2%	5.3%	5.3%
Personal Income	+0.4%	+0.6%	+0.3%
Savings Rate	5.7%	6.0%	5.7%
Personal Consumption	+0.4%	+0.4%	+0.5%
Retail Sales	+0.3%	+0.2%	+0.3%
Auto Sales	9.7*	9.6*	9.6*
Housing Starts	-0.8%	0.0%	+0.2%
Housing Permits	+0.7%	+0.5%	-0.3%
Construction Expenditures	-0.9%	-1.1%	+0.3%
Business Inventories	+0.2%	+0.3%	+0.2%
Orders for Durable Goods	-2.5%	+0.1%	+2.7%
Orders - Nondefense Capital Goods	-4.2%	-1.7%	+4.0%
Industrial Production	+0.3%	+0.3%	+0.2%
CPI	+0.4%	+0.2%	+0.3%
PPI	-0.3%	0.0%	+0.1%
Consumption Deflator	+0.5%	+0.1%	+0.2%
Leading Indicators	-0.1%	-0.2%	0.0%
Currency Index	+0.1%	-0.8%	-1.1%
Equity Index	+0.4%	-2.3%	+2.9%
Real GNP (annual rate)	+2.0%	+1.4%	+2.0%
M1 (annual rate)	+5.2%	+5.0%	+4.4%
M2 (annual rate)	+3.4%	+6.2%	+8.9%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Despite an 86,000 gain in government workers because of the Census, employment grew only 26,000. Some of the weakness was the reverse of strong employment gains in construction during the mild winter. However, weakness was also widespread in manufacturing. The diffusion index recorded only slightly more than 51%. However, except for retail sales and construction, no other monthly statistics confirmed the weakness in economic activity. Indeed, household employment, which had been growing only half as rapid as payroll employment during the past year, rose nearly 300,000. This suggests that some problems developed with the seasonal adjustment factors or with the payroll survey during the month. As a result, a substantial rebound in employment is possible this month. Census again will be adding to the gains, but strength should be widespread.

Earnings have begun to spurt following several months of little change. Although hourly earnings rose more slowly this quarter than last, gains during the past three months were 3.7%, as compared to the 3.3% quarterly average. Low unemployment rates and the increased minimum wage should be adding to earnings in the next few months. However, the high gains in compensation that developed in the first quarter because of social security tax rate increases and higher health insurance premiums should be less substantial during the next few months. Unit labor costs unquestionably showed another sharp increase in the winter, as the index of hours worked grew faster than economic activity even as compensation was accelerating. If inflation had not intensified, profits again would have been pinched.

PERSONAL INCOME AND OUTLAYS-Strong gains in farm income led to stronger increases in personal income that expected or suggested by wage earnings alone. However, farmers notoriously save such income gains (they actually pay down debt, which is a form of savings), suggesting that nonfarmers were pinched for purchasing power during the inflation plagued winter months. Indexation of the tax codes led to slower growth in personal income than in disposable income during the quarter. Transfer payments remained unusually soft while social security taxes were stronger than in some other months. These factors actually led to smaller gains in personal income than otherwise would have developed. However, the surge in farm income cannot be sustained. Therefore, some slowing in the growth of personal income is expected during the spring.

Auto sales responded a little more vigorously to incentives than expected. However, retail gains in auto sales were smaller than suggested by the surge in units. This suggests that some of the lost fleet sales during the fourth quarter returned during the winter. Sales of nondurable goods also were revised upward sharply. The service sector also showed greater expenditures than expected, as prices of housing services grew faster than expected. As the auto incentives wear off, sales should soften. However, falling prices for nondurables should lead to stronger real sales there. In general, consumer spending after adjustment for inflation should increase slightly less than a year ago.

CONSTRUCTION-Although construction's strength was widespread, weather undoubtedly led to stronger gains than would have developed. Activity should slow substantially during the spring. Housing already is slowing significantly, and rising mortgage rates should do little to deter the further downward drift in housing activity. Conditions are especially troublesome for multi-family units, where even the winter was not able to generate additional starts. Credit constraints at lending institutions could prevent even the modest gains that are projected for apartment units during the second half of this year. Construction probably already has peaked for the year. The only area showing substantial strength is industrial activity, which could lead to stronger gains in nonresidential construction than currently are being projected.

Because of rising mortgage rates, real construction now is expected to decline 2.4% during the next twelve months. A month ago, a decline of only 0.3% was projected. Even the surprising strength in public construction should subside. Some of that gain continues to reflect expenditures after national catastrophes. With the tight budgets facing most governmental units, substantial slowing in public outlays should develop.

BUSINESS ACTIVITY-Most of the surprises have occurred in the business sector during the winter. Inventory liquidation has been more substantial than expected. Manufacturing inventories relative to sales have fallen from 1.57 to 1.50 during the past year. Business inventories have been liquidated even more aggressively. Auto inventories have been brought down to normal, with production trailing sales until March. Wholesalers also have trimmed their inventories slightly. Now sales are rebounding, leading to strength in the goods producing sectors until inventories again are brought into balance with sales.

Of course, the rebound in shipments of capital goods largely reflects increased activity by Boeing following their strike. Shipments clearly will grow more slowly in subsequent quarters. Because aircraft backlogs were unusually long with uncertain deliveries, orders stalled during the winter. However, the return to production and a shortening of the backlog have again spawned aircraft needs that will be reflected in stronger orders during the next few quarters. However, orders have been strengthening for metals. In addition, capital spending intentions were revised upward from 4.6% to 7.3% after adjustment for inflation. Most of the upward revision was in purchases by service organizations and probably reflects computing and communications equipment. These orders have not yet developed, but they should surface in the next few months. Therefore, strength in capital goods spending is expected through the remainder of this year.

Although capacity is not a problem, the surge in industrial activity following the January shut-down of the auto industry may encourage some producers to raise prices. Some increases in sensitive prices already have surfaced. Thus, the rate at which capacity is being utilized continues to be as important as the level of utilization in determining whether price pressures will surface.

PRICES-Although prices were not surprising during the past month, they are surprisingly high in the areas not effected by the weather. Commodity prices are reversing direction, although the OPEC nations may shore up prices momentarily with production cutbacks. The oil market has so much inventory, however, that no attempt to raise prices will be successful until late this year. Food prices also are coming down. A little later this year, meat prices also should stabilize, as the animals currently being raised are brought to slaughter. Whether the service and durable goods inflation can moderate as currently projected will determine whether inflation can be contained in the 4.5% range this year. Mostly because of higher service inflation, our estimates of the CPI change for the next twelve months have been raised by 0.5 percentage points in the past month alone. No further increases are anticipated, but further service inflation gains certainly cannot be ruled out.

Given the reversal of commodity prices, the GNP deflator should grow more slowly during the remainder of this year. However, sharp gains in some construction materials could result in greater price gains for the construction products than currently projected. Thus, further upward revisions in the GNP deflator cannot be ruled out.

MISCELLANEOUS-Apparently, the surge in oil prices had a smaller impact upon the IVA than expected. Of course, the surge in sensitive prices could lead to stronger gains in inventory prices in the months ahead. In the meantime, the slower inflationary pressures on inventories than expected led to greater gains in adjusted profits than expected. Although first quarter information is not yet complete, profits appear to have increased sharply. Further modest increases are likely during the spring. However, further attempts to pass along price gains should be thwarted later this year, leading to a renewed profits erosion.

The leading indicators continue to be sluggish. Some of the softness during the winter was in building permits and stock prices. However, permits were probably stabilizing in March. Some of the inflation related components of the indicators began to deteriorate during the winter, with delivery delays and sensitive prices joining orders in adding to strong gains in the indicators for March.

The trade balances were aided by the return of aircraft shipments and the downward adjustment of oil inventories following a mild winter. Falling oil prices also were beneficial. In February, oil imports fell by $1.2 billion. Oil prices could fall further in March. Also, inventory liquidations could lead to smaller gains in imports than currently projected. However, later in the spring the trade balances should again deteriorate. This, and some anticipated weakness in interest rates, could lead to renewed weakness in the dollar following its recent surge.

A falling dollar and eroding profits create some problems for equity values later this year. If interest rates can fall, some stability in equity values still is possible. However, any easing of interest rates is expected to be temporary. Therefore, a slight downward drift is expected in equity values during the latter part of this year.

FINANCIAL MARKETS

One of the major disappointments has been the substantial supply of government securities that has been issued to the public. Not only has Refcorp bonds created problems, but the quarterly fundings have been unusually large for the amount of government debt that was supposed to be issued. Some of this surprise is caused by the magnitude of the borrowing required to resolve the thrift problems. These borrowing will remain high all year. Another problem has been the underestimation of corporate receipts. Some of this is caused by a flawed estimation procedure. However, part also indicates reduced taxable corporate earnings from restructuring following the corporate tax increases in the 1986 tax reform act. With expenditures exceeding estimates, revenues should improve as the year progresses. As a result, the government probably is exerting its maximum pressure upon credit markets at the current time. Yet, even this exertion was not supposed to happen. After rising nearly $12 billion to $156.5 billion during the fourth quarter, the deficit on an NIA basis should increase to nearly $164 billion during the first quarter.

Strong construction conditions led to greater production of housing during the first quarter than expected while household savings remained flat. Thus, the household sector also exerted upward pressures upon credit market conditions early this year. Savings should improve while housing production should weaken, leading to some moderation of credit conditions from the household sector. Little change is expected from the households during the summer but their net additions of savings should moderate interest rate pressures during the fall.

The corporate sector was liquidating inventories and raising profits, which normally should lead to lower interest rates. However, they were also on a capital goods spending binge. Thus, the corporate sector was only able to cancel out the government sector during the winter. In the spring, rising inventory investment and continued capital spending should create further problems. Some relief might be forthcoming during the summer, but the corporate sector probably will continue to be adding to their net use of funds during the year.

Excluding foreign investors, this suggests that interest rates should continue to rise in the spring, stabilize in the summer and drift slightly further upward in the fall. With the dollar reaching a peak against foreign currencies in the eyes of international investors, they will be reluctant to invest in U.S. assets. Also, the collapse of Japanese financial values has raised the importance of American assets in their portfolios. As a result, they may wish to liquidate some of their holdings. This suggests that some weakness will be generated by foreign capital flows through much of this year. As a result, interest rates may pause during the summer, but then should resume an upward path during the fall.

However, Federal Reserve reluctance to raise short-term interest rates because of political concerns should lead to a more strongly sloped yield curve, at least until short-term rates are increased late in the fall.

EQUITY MARKETS-The key determinants of equity values continue to be the purchases of foreign investors, the profitability of American corporations, and the long-term interest rates, which determine the value of future earnings. In the first quarter, the dollar fell significantly, suggesting a loss of confidence in American assets by foreign, basically European, investors. Although profits rose strongly, so did interest rates. Thus, a decline in equity values was not surprising. In the spring, the dollar may rebound slightly, adding to international investments. Profits may also continue to improve modestly, but interest rates are continuing to climb. Thus, the summer hiatus in rate rises allows the first opportunity for a significant advance in equity values. Unfortunately, profits should be under some stress while the dollar may also be weakening. Therefore, any gains should be relatively modest. A fall slide in equity values is an increasing possibility.

Despite this slight downward drift in equity values, the capital expenditures surveys suggest that technology and communications companies should do relatively well. Obviously, financial and interest sensitive investments should be avoided, although some rebound in regional banks is likely once the regulators leave the premises. A short-term rebound in cyclical stocks also is likely as inventory rebuilding commences. Some of the metals should do well, while the energy sector should be avoided until late in the year. In short, the markets remain selective, but no serious erosion of prices is anticipated.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
October	109171		129.2		117585		5.3	9.78	
November	109452	1.8	129.1	0.5	117836	1.0	5.3	9.78	3.8
December	109570		128.8		117888		5.3	9.83	
January 1990	109931		129.5		117863		5.3	9.83	
February	110287	2.9	130.1	2.7	118035	1.0	5.3	9.88	3.3
March	110313		130.1		118334		5.2	9.92	
April	110489 *		130.3 *		118476 *		5.2	9.95 *	
May	110625	1.7	130.4	1.7	118573	1.8	5.3	9.99	4.5
June	110786		130.6		118723		5.3	10.02	
July	110916		130.8		118854		5.2	10.05	
August	111073	1.6	130.9	1.5	118942	1.3	5.2	10.09	4.2
September	111234		131.1		119108		5.3	10.13	
October	111354		131.2		119225		5.3	10.16	
November	111496	1.5	131.3	1.1	119339	1.3	5.4	10.20	4.4
December	111643		131.4		119477		5.5	10.24	
January 1991	111802		131.6		119624		5.5	10.28	
February	111957	1.6	131.8	1.3	119761	1.4	5.5	10.32	4.7
March	112095		131.8		119889		5.5	10.35	
Chng Mar(91)/Mar(90)		1.6		1.3		1.3			4.3
Chng Mar(90)/Mar(89)		2.2		2.2		1.1			3.8

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	4.500		2.693		207.9		3.840		3.632	
November	4.542	7.3	2.695	7.0	228.7	50.3	3.878	6.9	3.650	4.9
December	4.564		2.712		211.5		3.896		3.684	
January 1990	4.600		2.725		205.0		3.931		3.726	
February	4.634	9.1	2.747	6.7	211.8	-1.0	3.960	9.6	3.748	10.2
March	4.670		2.761		229.7		3.992		3.762	
April	4.689 *		2.771 *		230.3 *		4.007 *		3.777 *	
May	4.717	6.9	2.790	6.6	240.6	38.3	4.030	6.7	3.789	5.1
June	4.731		2.805		230.2		4.040		3.810	
July	4.752		2.819		232.1		4.055		3.823	
August	4.774	5.6	2.834	6.8	232.6	-2.8	4.076	5.2	3.852	6.0
September	4.804		2.851		231.5		4.099		3.868	
October	4.827		2.864		235.1		4.118		3.883	
November	4.854	6.6	2.878	6.3	234.2	6.4	4.140	6.4	3.906	6.1
December	4.881		2.893		237.8		4.163		3.925	
January 1991	4.905		2.910		251.8		4.191		3.945	
February	4.934	6.5	2.928	6.7	249.8	21.7	4.216	7.2	3.966	6.6
March	4.955		2.938		241.1		4.232		3.991	
Chng Mar(91)/Mar(90)		6.1		6.4		5.0		6.0		6.1
Chng Mar(90)/Mar(89)		7.1		7.1		-0.9		7.1		7.6

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	3528.1		470.3		1135.0		1922.7		2683.9	
November	3545.0	4.9	467.9	-13.0	1140.5	3.9	1936.6	10.6	2687.3	0.5
December	3578.7		470.3		1151.6		1956.8		2708.7	
January 1990	3620.4		505.1		1156.5		1958.7		2709.4	
February	3641.7	10.4	490.1	21.4	1173.3	8.9	1978.3	8.7	2713.8	2.5
March	3655.5		483.3		1170.8		2001.4		2707.6	
April	3671.4 *		488.9 *		1171.3 *		2011.2 *		2713.8 *	
May	3684.8	5.3	492.5	-1.0	1169.8	1.7	2022.5	9.0	2719.0	1.4
June	3702.2		493.5		1174.3		2034.5		2725.5	
July	3716.0		493.2		1175.8		2047.1		2726.4	
August	3744.2	5.9	504.5	7.2	1179.4	2.4	2060.3	7.6	2739.4	2.2
September	3756.8		502.9		1181.2		2072.7		2736.8	
October	3772.0		501.0		1185.1		2085.9		2738.5	
November	3794.4	6.0	504.8	3.8	1190.3	3.9	2099.3	7.8	2745.8	1.6
December	3815.2		509.0		1194.6		2111.6		2751.5	
January 1991	3834.5		512.9		1197.4		2124.2		2755.8	
February	3853.8	6.6	514.1	8.4	1202.9	4.4	2136.8	7.5	2759.2	2.2
March	3877.8		518.7		1208.7		2150.4		2766.3	
Chng Mar(91)/Mar(90)		6.1		7.3		3.2		7.4		2.2
Chng Mar(90)/Mar(89)		7.7		4.7		6.2		9.4		2.6

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	143.43		22.81		8.8		89.45		31.17	
November	144.39	-1.7	22.98	-2.5	8.5	-56.7	90.32	5.2	31.09	-18.8
December	143.90		22.63		8.9		90.95		30.32	
January 1990	149.87		22.94		10.2		93.66		33.27	
February	149.46	15.8	23.61	10.6	9.5	54.3	94.74	18.9	31.11	11.2
March	148.56		23.61		9.5		94.27		30.68	
April	149.04 *		23.58 *		9.7 *		94.23 *		31.23 *	
May	149.32	0.2	23.65	4.3	9.6	-4.0	94.11	0.2	31.56	-2.6
June	149.79		23.68		9.6		94.47		31.64	
July	149.88		23.74		9.5		94.59		31.55	
August	151.44	4.2	23.79	2.7	10.6	20.8	94.88	2.4	32.77	10.7
September	151.41		23.85		10.2		95.03		32.53	
October	151.51		23.96		9.6		95.34		32.21	
November	152.35	3.9	24.03	4.4	9.7	-13.7	95.76	3.9	32.56	3.4
December	153.17		24.17		9.9		96.11		32.89	
January 1991	153.83		24.26		10.0		96.33		33.24	
February	154.41	5.9	24.33	4.7	10.0	14.4	96.77	4.4	33.31	11.3
March	155.39		24.40		10.2		97.24		33.75	
Chng Mar(91)/Mar(90)		4.6		3.3		7.4		3.2		10.0
Chng Mar(90)/Mar(89)		6.5		6.8		-2.1		8.8		-0.3

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AR% is the annualized percentage change from the previous quarter.

CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	1.423		1.023		0.400		1.356	
November	1.347	3.1	1.010	-2.8	0.337	22.8	1.342	11.3
December	1.273		0.931		0.342		1.376	
January 1990	1.568		1.099		0.469		1.745	
February	1.457	33.5	1.154	47.8	0.303	-0.4	1.305	19.1
March	1.321		1.015		0.306		1.206	
April	1.310 *		1.010 *		0.300 *		1.215 *	
May	1.310	-32.9	1.005	-27.5	0.305	-47.6	1.221	-45.7
June	1.313		1.001		0.312		1.217	
July	1.332		1.011		0.321		1.226	
August	1.350	6.1	1.025	2.1	0.325	20.1	1.245	3.7
September	1.310		0.996		0.314		1.215	
October	1.321		0.993		0.328		1.228	
November	1.358	4.8	1.022	2.1	0.336	13.6	1.253	6.8
December	1.360		1.033		0.327		1.266	
January 1991	1.357		1.013		0.344		1.267	
February	1.347	1.4	1.005	-3.8	0.342	18.5	1.258	4.3
March	1.349		1.001		0.348		1.262	
Chng Mar(91)/Mar(90)		2.1		-1.4		13.7		4.6
Chng Mar(90)/Mar(89)		-6.0		3.7		-28.2		-2.0

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	136.7		84.8		193.1		414.6		344.6	
November	137.5	-2.7	88.7	28.0	190.3	-5.4	416.5	1.7	345.6	-0.4
December	131.9		93.8		189.5		415.2		345.4	
January 1990	137.5		90.8		196.7		425.0		353.6	
February	143.5	13.9	95.3	15.0	199.7	20.0	438.5	16.9	363.0	16.1
March	138.5		90.7		203.2		432.4		358.5	
April	138.1 *		90.8 *		199.7 *		428.6 *		354.5 *	
May	137.6	-5.9	90.5	-6.1	195.8	-5.0	423.9	-5.5	349.8	-7.6
June	137.5		91.2		196.5		425.2		350.0	
July	137.8		91.6		196.9		426.3		350.0	
August	138.4	0.8	90.9	3.4	198.3	1.4	427.6	1.6	350.2	-1.4
September	137.8		92.3		198.8		428.9		350.4	
October	138.6		90.8		199.7		429.1		349.4	
November	138.9	2.7	91.5	-0.1	199.9	4.2	430.3	2.8	349.8	-0.5
December	139.3		92.4		200.5		432.2		350.0	
January 1991	139.1		92.9		200.2		432.2		349.1	
February	139.5	2.0	93.5	8.1	200.8	1.7	433.8	3.1	349.6	-0.2
March	140.3		93.7		201.6		435.6		350.2	
Chng Mar(91)/Mar(90)		1.3		3.3		-0.8		0.7		-2.3
Chng Mar(90)/Mar(89)		1.8		15.2		0.5		3.7		3.5

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	371.7		124.26		35.98		34.17	
November	372.8	0.9	130.18	13.9	38.90	5.5	34.12	-10.3
December	371.1		131.72		44.39		34.96	
January 1990	374.1		117.91		38.35		35.19	
February	373.2	1.3	120.78	-18.1	36.09	-11.4	36.83	20.3
March	371.9 *		128.70		41.29		36.11	
April	372.3		125.47 *		39.55 *		36.47 *	
May	374.2	1.0	125.56	14.4	38.89	11.4	36.73	7.5
June	375.6		128.92		40.46		36.91	
July	376.8		128.45		39.54		37.23	
August	378.2	4.5	127.73	4.7	38.63	-5.9	37.20	6.9
September	379.6		128.16		38.95		37.54	
October	381.0		129.82		39.46		37.79	
November	382.5	4.6	130.43	7.6	39.82	8.0	37.93	7.0
December	383.8		131.15		40.11		38.15	
January 1991	385.3		131.44		40.15		38.35	
February	386.8	4.8	130.56	0.6	39.85	0.4	38.57	6.7
March	388.6		129.97		39.52		38.82	
Chng Mar(91)/Mar(90)		4.5		1.0		-4.3		7.5
Chng Mar(90)/Mar(89)		3.0		2.7		8.3		6.0

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	793.2		8.25		107.7		83.4	
November	797.0	5.7	8.75	7.3	108.1	-0.2	83.5	-2.7
December	794.1		9.80		108.6		83.7	
January 1990	797.5		8.49		107.2		82.4	
February	794.6	0.5	8.16	-23.1	108.1	-0.4	82.9	-3.2
March	794.9 *		8.45		108.8		83.3	
April	796.3		8.55 *		109.1 *		83.4 *	
May	798.5	1.4	8.41	4.9	109.4	5.0	83.5	2.8
June	800.4		8.44		109.6		83.4	
July	802.7		8.59		109.9		83.5	
August	805.3	3.7	8.42	8.8	110.4	3.6	83.8	1.3
September	808.9		8.93		110.7		83.8	
October	811.4		8.28		110.5		83.4	
November	814.8	4.7	8.44	-2.0	110.5	1.0	83.2	-2.1
December	818.5		9.09		110.8		83.2	
January 1991	822.4		8.43		110.8		83.0	
February	826.3	5.8	8.40	-6.8	111.0	1.6	83.0	-1.1
March	830.5		8.53		111.3		83.1	
Chng Mar(91)/Mar(90)		4.5		0.9		2.3		-0.2
Chng Mar(90)/Mar(89)		3.8		0.0		1.6		-0.8

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	125.3		114.7		112.4		127.6	
November	125.8	3.9	114.8	4.4	112.1	1.7	128.0	3.2
December	126.2		115.5		112.3		128.2	
January 1990	127.7		117.6		114.2		129.1	
February	128.4	8.5	117.3	8.2	113.6	5.1	129.6	5.6
March	129.0		117.0		113.2		130.3	
April	129.5 *		116.6 *		112.9 *		130.6	
May	129.8	4.6	116.6	-2.1	113.0	-2.1	130.9	3.8
June	130.2		116.8		113.3		131.2	
July	130.6		117.0		113.6		131.6	
August	131.1	4.1	117.3	2.3	114.0	1.8	132.0	3.6
September	131.7		117.7		113.1		132.5	
October	132.3		118.1		114.4		133.0	
November	132.8	5.2	118.5	4.0	114.9	4.7	133.4	4.2
December	133.3		118.9		115.3		133.9	
January 1991	133.8		119.3		115.7		134.3	
February	134.4	4.9	119.7	4.1	116.2	4.6	134.8	4.2
March	135.0		120.1		116.6		135.3	
Chng Mar(91)/Mar(90)		4.7		2.6		3.0		3.8
Chng Mar(90)/Mar(89)		5.2		4.5		2.4		4.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	131.4		111.3		123.8		143.0		120.3	
November	131.9	3.9	111.8	1.2	124.2	3.8	143.4	4.5	120.5	2.1
December	132.1		112.0		124.1		143.8		120.2	
January 1990	133.6		113.0		127.0		144.9		120.2	
February	134.2	7.3	112.7	3.8	127.9	13.1	145.3	5.9	120.8	0.7
March	134.6		112.5		128.8		146.2		120.6	
April	135.3 *		112.8 *		128.8 *		146.7 *		120.9 *	
May	135.5	4.3	113.1	1.3	128.6	2.3	147.2	4.9	121.2	2.2
June	135.8		113.4		128.5		147.8		121.5	
July	136.3		113.6		128.8		148.4		121.8	
August	136.7	3.6	113.5	1.9	129.3	2.2	149.0	4.9	122.1	3.0
September	137.3		113.8		129.9		149.6		122.4	
October	137.7		114.0		130.2		150.2		122.8	
November	138.2	4.3	114.3	2.4	130.5	3.8	150.8	4.9	123.0	3.3
December	138.7		114.6		130.9		151.4		123.5	
January 1991	139.1		114.9		131.3		152.0		123.8	
February	139.7	4.3	115.2	3.2	131.8	3.9	152.6	4.9	124.1	3.3
March	140.2		115.5		132.3		153.2		124.4	
Chng Mar(91)/Mar(90)		4.1		2.7		2.7		4.8		3.2
Chng Mar(91)/Mar(90)		4.7		1.6		6.5		4.8		0.2

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj
October	-10.44		144.4		5319		4168		-7.3
November	-10.11	-13.4	144.6	0.3	5340	4.6	4171	1.1	-9.5
December	-7.68		145.1		5361		4183		-14.4
January 1990	-9.32		145.3		5400		4182		-15.7
February	-6.49	52.8	143.9 *	0.3	5442	7.8	4198	2.1	-13.2
March	-7.59		145.2		5483		4206		-12.5
April	-8.43		145.0		5505		4213		-9.6
May	-8.89	-55.5	144.7	-0.0	5522	6.2	4218	2.2	-7.8
June	-8.81		144.7		5545		4225		-8.6
July	-8.56		145.0		5572		4232		-10.4
August	-8.74	4.2	145.2	1.2	5601	5.8	4242	2.1	-13.3
September	-8.55		145.5		5634		4249		-10.5
October	-8.46		145.7		5653		4249		-10.6
November	-8.67	2.1	145.3	0.4	5677	5.6	4254	1.4	-12.4
December	-8.58		145.1		5709		4263		-12.9
January 1991	-8.11		144.8		5735		4268		-11.7
February	-7.92	25.6	145.1	-1.1	5761	6.0	4272	1.8	-13.5
March	-7.85		145.0		5795		4282		-14.8
Chng Mar(91)/Mar(90)		-3.4		-0.1		5.7		1.8	
Chng Mar(90)/Mar(89)		17.5		0.3		6.4		2.2	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	98.92		165.3		8.00		192.49	
November	97.99	-10.3	170.4	-8.3	7.90	-13.2	188.50	1.8
December	94.88		171.0		7.90		192.67	
January 1990	93.00		170.8		8.26		187.96	
February	92.25	-16.0	178.3	18.5	8.50	28.1	182.55	-13.0
March	94.11		179.6		8.56		183.55	
April	93.53 *		179.3		8.83 *		184.23 *	
May	93.67	1.1	177.8	3.8	8.96	18.7	180.04	-3.2
June	92.91		176.5		8.64		185.34	
July	91.88		177.5		8.61		187.04	
August	92.11	-7.2	177.1	-1.6	8.73	-3.7	184.05	2.2
September	90.96		176.9		8.84		181.56	
October	91.27		175.6		8.99		177.22	
November	91.35	-1.3	175.2	-3.3	9.11	15.7	174.48	-16.4
December	91.46		176.3		9.05		176.74	
January 1991	90.93		175.7		9.08		175.56	
February	90.91	0.9	175.1	-1.1	9.11	2.1	174.38	-3.2
March	92.85		174.8		9.10		174.28	
Chng Mar(91)/Mar(90)		-1.3		-2.7		6.3		-5.1
Chng Mar(90)/Mar(89)		-3.0		3.0		-8.7		11.5

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	293.3		788.1		3181.4		8.84		7.62	
November	293.9	4.0	789.4	5.2	3200.6	7.3	8.55	-19.1	7.49	-9.4
December	295.6		794.8		3220.0		8.45		7.42	
January 1990	298.2		794.7		3229.1		8.23		7.55	
February	300.0	8.5	801.2	4.8	3254.0	6.4	8.24	-15.8	7.70	10.5
March	302.8		804.6		3267.9		8.28		7.85	
April	304.5 *		808.0 *		3277.0 *		8.29 *		7.93 *	
May	306.1	7.8	811.3	5.6	3293.5	5.7	8.33	2.8	8.04	16.1
June	307.5		814.2		3316.9		8.30		8.01	
July	309.2		817.5		3331.6		8.27		7.95	
August	310.4	5.7	820.6	4.7	3348.5	6.6	8.25	1.0	7.93	0.3
September	311.3		823.5		3365.7		8.46		8.12	
October	312.8		826.5		3381.8		8.59		8.31	
November	314.2	5.2	829.9	4.7	3398.7	6.0	8.67	18.1	8.53	24.3
December	315.8		833.4		3412.6		8.78		8.50	
January 1991	317.0		836.5		3430.4		8.73		8.45	
February	318.6	5.5	839.1	4.8	3445.8	5.7	8.91	10.0	8.59	6.0
March	319.8		843.5		3460.3		9.03		8.67	
Chng Mar(91)/Mar(90)		5.6		4.8		5.9		9.1		10.4
Chng Mar(90)/Mar(89)		4.6		2.4		5.9		-15.9		-11.3

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	8.92		7.22		8.53		8.60		10.50	
November	8.89	-3.5	7.14	1.1	8.35	-11.5	8.39	-12.6	10.50	-5.9
December	8.86		6.98		8.29		8.32		10.50	
January 1990	8.99		7.10		8.20		8.10		10.11	
February	9.22	14.4	7.22	5.2	8.14	-8.5	8.22	-9.7	10.00	-16.5
March	9.37		7.29		8.28		8.35		10.00	
April	9.53 *		7.44 *		8.30 *		8.39 *		10.00 *	
May	9.57	16.4	7.48	14.4	8.38	6.1	8.47	10.3	10.00	-1.5
June	9.55		7.43		8.31		8.42		10.00	
July	9.48		7.38		8.25		8.33		10.00	
August	9.77	7.6	7.67	11.6	8.23	-1.0	8.32	-1.1	10.00	3.1
September	9.93		7.92		8.45		8.56		10.23	
October	10.02		7.98		8.52		8.63		10.50	
November	10.05	12.9	8.04	19.8	8.61	16.1	8.74	17.2	10.50	17.9
December	10.01		8.01		8.75		8.86		10.50	
January 1991	10.07		8.06		8.71		8.83		10.50	
February	10.13	2.4	8.11	2.9	8.87	10.4	8.99	10.6	10.50	2.0
March	10.06		8.03		8.95		9.08		10.66	
Chng Mar(91)/Mar(90)		7.4		10.2		8.1		8.7		6.6
Chng Mar(90)/Mar(89)		-4.4		-4.0		-16.1		-17.2		-13.0

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